

28 ▶ requires the audited financial statements to include an opinion by an independent
29 certified public accountant indicating that the financial statements are fairly stated
30 in accordance with accounting principles generally accepted in the United States of
31 America; and

32 ▶ requires that the independent assessment determine whether there are adequate
33 available net assets or a reasonable expectation of sufficient future cash flows and
34 revenues in excess of expenses to provide for the lease payments during the next
35 reporting period.

36 **Monies Appropriated in this Bill:**

37 None

38 **Other Special Clauses:**

39 None

40 **Utah Code Sections Affected:**

41 ENACTS:

42 **11-14-317**, Utah Code Annotated 1953



44 *Be it enacted by the Legislature of the state of Utah:*

45 Section 1. Section **11-14-317** is enacted to read:

46 **11-14-317. Contract with private entities -- Lease payments for revenue bonds --**
47 **Independent assessment of financial ability -- Opinion by independent certified public**
48 **accountant.**

49 (1) Beginning July 1, 2006, any contract or agreement between a local political
50 subdivision and a private entity shall include provisions that allow the local political
51 subdivision to:

52 (a) independently assess, as provided under Subsection (2), the ability of the private
53 entity to meet its financial obligations to the local political subdivision if the contract or
54 agreement involves lease payments, the revenue from which is pledged for the payment of
55 principal or interest on a revenue bond; and

56 (b) rescind or amend the contract or agreement if:

57 (i) the independent assessment performed under Subsection (1)(a) produces a finding
58 that the private entity is unable to meet its financial obligations to the local political

59 subdivision; and

60 (ii) based on the assessment performed under Subsection (1)(a), the local political
61 subdivision determines that the rescision or amendment is necessary to protect the financial
62 interests of the local political subdivision.

63 (2) The local political subdivision shall ensure the independent assessment under
64 Subsection (1)(a) is conducted:

65 (a) prior to entering into a new contract or agreement;

66 (b) at least annually on an existing contract or agreement; and

67 (c) using audited financial statements provided by the private entity.

68 (3) The audited financial statements shall include an opinion by an independent
69 certified public accountant indicating the financial statements are fairly stated in accordance
70 with accounting principles generally accepted in the United States of America.

71 (4) The independent assessment shall determine whether there are adequate available
72 net assets or a reasonable expectation of sufficient future cash flows and revenues in excess of
73 expenses to provide for the lease payments during the next reporting period.

Legislative Review Note

as of 2-6-06 11:36 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

Fiscal Note
Bill Number SB0258

Revenue Bonds - Auditing of Leases

10-Feb-06

11:53 AM

State Impact

No fiscal impact.

Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst